## D.P.U. 94-48

Application of Nantucket Electric Company, under the provisions of G.L. c. 164, § 94G(a), for approval by the Department of Public Utilities of the Company's annual performance program relating to fuel procurement and use.

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FOR: NANTUCKET ELECTRIC

**COMPANY** 

**Petitioner** 

On March 15, 1994, pursuant to G.L. c. 164, § 94G(a), Nantucket Electric Company ("Nantucket" or "Company") submitted a petition to the Department requesting approval of proposed generating unit performance goals for the period April 1, 1994 through March 31, 1995. Section 94G(a) requires each electric company to file with the Department annual performance programs that provide for the efficient and cost-effective operation of its generating units. Each company's performance program must include proposed unit and system performance goals for availability factor ("AF"), equivalent availability factor ("EAF"), capacity factor ("CF"), forced outage rate ("FOR"), and heat rate ("HR").

Pursuant to notice duly issued, the Department conducted a hearing on the Company's petition on May 25, 1994. In support of its petition, the Company sponsored the testimony of Mr. Douglas Kenward, director of planning and regulatory affairs. The evidentiary record includes 17 exhibits and one record request. No petitions for

In the Company's previous goal-setting order, Nantucket Electric Company, D.P.U. 93-25, at 2 (1993), the Department ordered that the Company should file its next performance program goals by February 1, 1994. However, in its January 26, 1994 letter to the Department, the Company requested an extension of time to file its performance program goals until March 15, 1994. On January 31, 1994, the Department granted Nantucket's request for an extension. The Company filed its initial and revised goal-setting proposals on March 15, 1994, and on April 25, 1994, respectively.

leave to intervene were filed.

Nantucket's generating system is isolated from the mainland and relies on diesel generating units to meet baseload demands; therefore, the methodologies upon which the proposed unit goals were based are unique to the Company. The Company's supply portfolio includes Units 3, 4, 5, 6, 7, 10, 11, 12, and 13 (Exh. N-2, at 3). Units 1 and 2, which have been in a deactivated status since January 1993 and January 1990, respectively, were excluded from the Company's supply portfolio (Exh. N-1, at 3). In addition, in 1994, Nantucket entered into a threeyear lease arrangement with New England Power Company ("NEP") and New England Electric Resources, Inc. ("NEERI") for the provision, installation and maintenance of two 2.75 MW General Motors Electro-Motive Division ("EMD") diesel units, referred to as Units EMD 1 and EMD 2, which are also included in Nantucket's supply portfolio (Exh. N-2, at 2-3). Along with the EMD 1 and EMD 2 lease arrangement, the Company made a decision to retire Units 8 and 9, and, therefore, excluded Units 8 and 9 from the Company's supply portfolio (Exh. N-1, at 3). On March 26, 1994, the Company completed repairs to Unit 3, which had been in a deactivated status since January 1990, and returned it to full service (id.; Exh. DPU-9). The Company terminated its lease of two 1.75 MW Caterpillar diesel units formerly known as Units 14 and 15 (Tr. at 20-21).

The Company proposed performance goals for Units 3 through 7, Units 10 through 13, and Units EMD 1 and EMD 2. AF and EAF goals were calculated using projections of planned outage hours ("POH"), forced outage hours ("FOH"), and equivalent seasonal derated hours ("ESDH") (Exh. N-1, at 4). CF goals were determined by dividing the projected net generation of each unit by the maximum possible generation across the performance period (id. at 5). FOR goals were calculated based on the average of the last three years for all generating units, except Units 3, EMD 1, and EMD 2 (id.; Exh. N-2, at 4). Recent performance data is not available for Unit 3; therefore, the Company proposed the FOR goal for Unit 3 based on the recent performance data of Unit 4, a unit of similar age and generating capacity (Exh. N-1, at 5). The FOR goals for Units EMD 1 and EMD 2 were based on NEP's contract specifications for the units, which guarantee that the units would operate at the AF not less than 90 percent provided their service hours ("SH") would not exceed 530 hours per year (Exhs. N-2, at 4, and DPU-4; RR-DPU-1). The HR goals for all generating units, except Units EMD 1 and EMD 2, were set at a level corresponding to the best HR achieved across the most recent three years of operation (Exh. N-1, at 4). The HR goal for Units EMD 1 and EMD 2 was proposed based on the most recent four-year average HR provided by NEP (Exh. DPU-5; Tr. at 27).

System AF, EAF, CF, and FOR goals were derived as a weighted average (based on projected net generation) of all units (Exh. DPU-10). The system HR goal was identified as the average of the last three years (Exh. N-1, at 4).

The proposed performance goals identified by the Company in RR-DPU-1, Attachment 2, conform to the requirements of G.L. c. 164, § 94G(a), and Department precedent. The Department finds that the proposed goals are reasonably attainable given reasonable and prudent maintenance and operation of the Company's generating units.

Accordingly, after due notice, hearing, and consideration, it is <a href="ORDERED">ORDERED</a>: That the generating unit and system performance goals for Nantucket Electric Company for the period April 1, 1994 through March 31, 1995, shall be those identified by the Company in RR-DPU-1, Attachment 2, attached to this Order; and it is

<u>FURTHER ORDERED</u>: That, pursuant to G.L. c. 164, § 94G and § 2.6(b) of the Department's performance program guidelines, dated December 8, 1981, the Company shall report on its progress under the annual performance program with each filing made pursuant to these guidelines; and it is

<u>FURTHER ORDERED</u>: That the Company shall file its next performance program goals by February 1, 1995, and that the next performance period shall run from April 1, 1995 through March 31, 1996.

	By Order of the Department,
	Kenneth Gordon, Chairman
Commissioner	Barbara Kates-Garnick,

	Mary Clark Webster,
Commissioner	

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Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).